

October 1, 2010

Name  
Address  
City

Re: State of Indiana vs. Indiana State Teachers Association  
Cause # 1:09-cv-1506 SeB-TAB

Dear "First Name",

Because you are a candidate for state office in the 2010 General Election or a state political party organization, I am writing to you regarding an important matter involving the Securities Division of the Indiana Secretary of State's office and the Indiana State Teachers Association (ISTA).

In December 2009, the Securities Division filed a lawsuit against ISTA for securities fraud. This suit was filed in order to recover approximately \$23 million ISTA owes Indiana school districts as a result of an ISTA-offered health insurance program for teachers and school employees. The Securities Division complaint alleges ISTA and its affiliated entities sold unregistered securities associated with a health insurance program, made untrue statements and failed to disclose information about the financial soundness of the program. This alleged scheme involved investing unspent school district claims dollars and the expectation of a profit. Currently, the litigation against ISTA is moving forward in federal court (the United States District Court for the Southern District of Indiana).

The purpose of my letter is to alert you, as a candidate or political party organization and therefore a possible recipient of ISTA-related political contributions through IPACE or affiliated organizations, that if the Securities Division is successful in proving the securities fraud case against ISTA, the Securities Division will make every effort to investigate and pursue recovery of related and commingled funds originally from ISTA by all lawful means available. As we have proceeded through the discovery process in this case, my office has recently determined that any political contributions could become relevant to any judgment or settlement of the case. Therefore, it is prudent to write to you at this time so that you can be put on notice of these events and potential outcomes.

The Securities Division will aggressively trace and attempt to recover all funds associated with ISTA in its transfers and expenditures of resources for whatever purposes. The Securities Division will make every effort to obtain restitution for Indiana school districts and fight on behalf of the victims to recapture any funds from any source where legally possible.

Recently, there have been prominent media reports of other alleged financial wrongdoing (not related to ISTA or the cause number above) and serious questions raised whether the proceeds of such wrongdoing were used to make political contributions to various political candidates and party committees in Indiana. In these other alleged instances, the allegations of financial wrongdoing came to light long after the campaign cycles had concluded and the political donations had already been spent.

However in the above referenced matter with ISTA, candidates and state political party organizations are hereby notified that there is a substantial controversy currently in litigation regarding ISTA funds. Therefore, candidates and state political party organizations also have a reasonable opportunity to take steps to secure such funds of which they are in possession due to

the possibility that they could be subject to recovery for restitution on behalf of Indiana school districts and their employees.

Since you, your campaign committee or state party committee are completely responsible for the contributions and expenditures made by your campaign committee, you may wish to consider two courses of action (listed below), both of which the Securities Division would defend for you as being reasonable given the circumstances outlined above.

1. Return all contributions from ISTA, IPACE or related political entities to the source from which it came and request that it be placed into escrow while the current lawsuit is pending and provide my office with an accounting of such funds received to date; or
2. Set aside all contributions from ISTA, IPACE or related political entities into a separate account that the campaign or party committee maintains while the current lawsuit is pending and provide my office with an accounting of such funds received to date.

You should contact my office at the address and number below with such information or if you have any further questions.

Tanya Growe  
Enforcement Investigator  
Indiana Government Center South  
302 W. Washington St., E-111  
Indianapolis, IN 46204  
317.234.3896  
[tgrowe@sos.IN.gov](mailto:tgrowe@sos.IN.gov)

Thank you for your time and attention to this matter. And, as I have indicated to each of you earlier in the cycle, congratulations on deciding to run for public office.

Sincerely,

Todd Rokita  
Indiana Secretary of State

CC: All Statewide Office Candidates  
All General Assembly Candidates  
All Major State Political Party Organizations